

Paul will review

PHILIP MORRIS U.S.A.

INTER-OFFICE CORRESPONDENCE
120 PARK AVENUE, NEW YORK, NY 10017

TO: Distribution

FROM: Frank C. Alfieri

SUBJECT: Payment Allowances

DATE: December 24, 1991

The following information has been prepared to clarify the procedure for tax, handling, and hand-stamping allowances. In addition, requirements for the assignment of promotion codes are outlined.

Tax Monies - payment to distributors for tax stamps used on complimentary product.

- All sections, excluding the state of Michigan, should request funds from Richmond Marketing Accounting using the attached form (Exhibit 1). The state of Michigan does not require tax stamps to be affixed to product, and therefore, tax monies can be deducted off invoice. Promotional product is direct shipped by PreCon to distributors in Michigan.
- Tax monies are wire transferred or a check is forwarded for deposit in section accounts.
- Payments are issued via bank drafts by Section Office to distributors.
- A National On-line system which will deduct the cost of tax stamping complimentary product off invoice is tentatively scheduled for implementation at the end of the first quarter 1992.
- Promotion codes are not required for tax stamping.

Hand-Stamping - payment to distributors for hand-stamping promotional product - generally required only for box packings, odd-carton configurations (i.e.: B2G1F 3x5 Carton), 120s, and VS soft packings.

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Handling Allowances - payment to distributors for handling complimentary product or deals - generally provided for all packings.

- If only complimentary product is involved, funds for handling and hand-stamping allowances are requested from Richmond Marketing Accounting. Section drafts are issued to distributors by the Field (i.e.: Buy 1 Ctn Get 1/2 Free).
- If both revenue and complimentary product are involved (i.e.: B1G1F, B3G2F), handling or hand-stamping allowances can be deducted off invoice. Information should be communicated to Dee Smith in an Elements memo.
- If only revenue product is involved (i.e.: B&H 35¢ Off, Cambridge \$1.00 Off 2 Pack), handling or hand-stamping allowances are generally not provided, but can be deducted off invoice if necessary. Information should be communicated to Dee Smith in an Elements memo.
- Payment for hand-stamping and handling is based on the product configuration.
i.e.: $2 \times 5 = .01$ per pack or 10¢ per carton
 $3 \times 5 = .01$ per pack or 15¢ per carton
 $2 \times 16 =$
- Promotion codes are not required for either of the above scenarios.

Distributor Assembly - Payment to the distributor for the labor and warehouse expense incurred for assembling promotions.

- Cost structure for packs and cartons is based on factory or distributor product assembly of 12M cases or equivalent quantities.
- Section draft or chain invoicing are the methods the Field uses to reimburse distributors.
- Promotion codes are required and are generally used for an entire calendar year (see attached - Exhibit 2).

Promotion Codes - required to track retail payments, placements of promotional displays, set sells, coupons, VPRs, stickers, buy downs, and bonus reserve offers on product.

- Codes are required for each payment level and are promotion specific.
- A Promotion Code Request form should be completed (see attached- Exhibit 3) and forwarded to Paul Degener.
- Promotion codes are used on Flex Check payments issued to retailers by the Field and in Chain Invoicing.

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Please use this information to determine the appropriate dollar payment required for each retail promotion. This information must be included in all elements memos, and will be communicated to the Field Sales Force via Fact Sheets included in the Quarterly Promotion Plan book.

Please contact me if you require any additional information.

FCA/ji
Attachments

cc: R. Camisa
P. Degener
R. Simons
T. Worcester

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DISTRIBUTION

A. Aliksanyan	A. Marrullier
K. Altenberg	T. McCarthy
M. Antonoff	L. McCullagh
C. Arana	D. Miller
D. Ball	B. Mora
S. Bender	J. Mortensen
D. Berenson	M. Nawrocki
C. Berry	A. O'Neil
R. Bhasin	N. Parmet
T. Bonomo	R. Pettinelli
S. Bowers	A. Pirone
C. Cohen	P. Piscitelli
G. D'Alessandro	S. Piskor
T. Daley	J. Raporte
R. Dzurilla	S. Reich
J. Eibon	H. Rupertus - Richmond
R. Ferrin	S. Sabella
E. Fisher	M. Saine
L. Funness	M. Salzman
T. Garguilo	M. Schroeder
W. Garry	B. Schuyler
P. Gill	C. Shore
A. Goldfarb	S. Simmons
T. Goodale	A. Sinha
M. Grande	G. Sledge - Richmond
J. Greene	D. Smith
P. Henriques	G. Smith
B. Hopkins	W. Smith
S. Horton	J. Spector
D. Hufford	R. Stewart
R. Hufford	L. Suwarna
S. Jannetta	D. Taylor - Richmond
C. Johnson	J. Taylor
G. Johnston	D. Tenbarge
T. Kennard	L. Theaman
W. Lawson	B. Trach
D. Lee-Bove	T. Vance
D. Lindblom	S. Vasquez
S. Lizza	N. VonMoltke
A. MacRae	C. White
M. Mahan	J. Yeager

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Tax Money Request Form

Date: _____

Section: _____

Promotion: _____

Amount of Tax Money: _____

Amount of Handling Money: _____

Amount of Hand Stamping Money: _____

Total: _____

Due Date: _____

*(Money will be direct
deposited into the brand
promotion checking account.)*

Section Director: _____

Section Director - Approval: _____

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*Fax completed form to: Debbie Taylor, Marketing Accounting
Supervisor, Richmond (804) 274-7330*